

September 5, 2013

**VIA ELECTRONIC TRANSMITTAL (LGONZALEZ@PLANNING.LACOUNTY.GOV)
ORIGINAL TO FOLLOW BY CERTIFIED U.S. MAIL WITH RETURN RECEIPT**

David W. Louie, Chair
Los Angeles County, Department of Regional Planning
Attn: Airport Land Use Commission (ALUC)
320 West Temple Street, 13th Floor
Los Angeles, California 90012

Re: Supplemental Materials In Support of Cities of Culver City and Ontario and
County of San Bernardino's Impasse Appeal - Project No. R2013-01802 (2,4);
Aviation Case Nos. RAV201300004, RAV201300005, RAV201300006

Dear Mr. Louie:

The Cities of Culver City and Ontario and County of San Bernardino ("Cities/County") submit this supplemental letter for the purpose of refuting certain representations made by the Los Angeles World Airports ("LAWA"), in the above-referenced action that is currently scheduled for hearing on September 11, 2013, concerning its "regionalization" efforts of air passenger demand.

I. PROCEDURAL HISTORY OF PENDING IMPASSE APPEAL

The Cities/County filed an Impasse Appeal ("Appeal") on March 20, 2013 to the Los Angeles County Department of Regional Planning, sitting as the Los Angeles County Airport Land Use Commission ("ALUC"). The crux of the Appeal is based on: (1) the City of Los Angeles and LAWA's failure to submit to the ALUC the entire SPAS Project when determining its consistency with the Los Angeles County Airport Land Use Compatibility Plan ("ALUCP"); (2) the consequent absence of consideration of the SPAS Project's manifest inconsistency with the ALUCP's policies governing, and LAWA's failure to mitigate these patent violations of state law and the ALUCP itself.

In response, LAWA submitted a letter ("LAWA Response"), wherein LAWA made numerous representations regarding LAWA's alleged commitment to regionalization. (LAWA Response at pp. 5-6; *see also*, Attachment C.) Cities/County maintain that none of the assertions made in LAWA's "Clarifying Commitment to Regionalization" provide meaningful responses that are grounded in reality nor can any of LAWA's self-proclaimed contentions be substantiated by studies, expert opinions, or other facts that can be readily ascertained. Thus, in an effort to clarify certain assertions highlighted in LAWA's August 28, 2013 submittal, the Cities/County provide the following in support of its appeal.

II. LAWA FAILED TO FULFILL ITS REGIONALIZATION OBLIGATIONS AS CONTEMPLATED IN THE 2006 STIPULATED SETTLEMENT

In 2005, the County community group, Alliance for a Regional Airport Solution to Airport Congestion (“ARSAC”) and the Cities of El Segundo, Inglewood, and Culver City (“Petitioners”) filed a legal challenge under CEQA to the Los Angeles City Council’s adoption of the joint EIR/EIS for the LAX Airport Master Plan (“2005 LAX Master Plan Litigation”). As a result of that action, the parties settled the legal challenge through a Stipulated Settlement (“2006 Stipulated Settlement”) which required, among other things, that LAWA “develop a regional strategic planning initiative to encourage the growth of passenger and cargo aviation activity at underutilized LAWA-owned commercial airports in the region (currently Ontario International Airport and Palmdale Regional Airport)” for the primary objective of “achiev[ing] a regional distribution of air traffic demand.” (2006 Stipulated Settlement at p. 11, §§ VII and VIII.) These efforts were to specifically include the establishment of “flyaway” locations that would be central locations where air travelers can access ground transportation to various airports throughout the region including LAX.

At the outset of negotiations related to the 2005 LAX Master Plan Litigation, regionalization has been and continues to be defined as “a proactive redistribution of a portion of Southern California’s aviation demand to unconstrained airports in the Southern California region other than LAX, in order to achieve a more equitable and proportional allocation of airport growth and aircraft operations among the airports, reduce congestion, increase safety and minimize vehicles miles travels, with consequent benefits to both the environment and the economy.” (Letter to LAWA Executive Director Gina Marie Lindsey from ARSAC, Culver City and Inglewood, Apr. 15, 2011.)

It has become abundantly clear, however, that there is an inherent conflict of interest in LAWA owning and operating competing airports, namely the Los Angeles International Airport (“LAX”), Ontario International Airport (“ONT”), and Palmdale Regional Airport (“PMD”). In fact, Gina Marie Lindsey, the Executive Director of LAWA, expressly commented that “. . . continuing to pursue a strategy that actively pushes traffic away from the City of Los Angeles and into other jurisdictions could be viewed as a little self-destructive.” (Los Angeles Board of Airport Commissioners, Jul. 14, 2010 Meeting.)

For that reason, and others, LAWA has failed to live up to its end of the bargain, resulting in a fragmented and disbanded “network” of secondary airports in the Southern California region. This is a far cry from what was initially envisioned by the 2006 Stipulated Settlement.

A. LAWA Has Made No Effort to Enhance Ground Transportation or Invest in New Infrastructure and Improvements to Regional Airports Other Than LAX

Among many of the available options that LAWA could have implemented to effectuate regionalization, LAWA has failed to redirect passengers to other airports by enhancing ground transportation options for ONT and PMD. This process should begin by working with ground transportation providers to make receptor airports into regional transportation hubs for all modes of transportation for passengers and cargo. Its goal should be to provide passengers with a robust variety of convenient ground transportation options, including rail and airport bus

transport. Its objectives should include, by way of example: (1) direct terminal access for rail and/or mass transit centers within a short walk of the passenger terminals; (2) additional fly-a-ways such as those already established pursuant to the provisions of the Settlement Agreement; (3) lower shuttle/taxi/livery fees for outlying airports than for LAX to encourage demand; and, (4) encouragement to ONT and PMD area hotels, to offer “park/stay/fly” packages.

Only the establishment of flyaways has been pursued and only half-heartedly with failure more notable than success in that effort. The weakness of LAWA’s efforts can best be illustrated in monetary terms with the budget for promotion of the use of Ontario and concomitant access options cut to a mere \$142,000 per year as discussed more fully below.

B. LAWA’s Feigned Regionalization Efforts Have Resulted in a Substantial Decline in ONT Passenger Traffic By over Forty Percent To Levels Not Seen Since the Early 1980s

LAWA’s purported efforts at regionalization have had the opposite effect on secondary airports including ONT and PMD. This is evinced by the dramatic 40 percent decline in passenger traffic flying out of the Ontario International Airport from 7.2 million in 2007 to 4.3 million passengers in 2012.¹ LAWA, on the other hand, asserts that the decline in passenger rate is attributable to the “income levels [of the areas surrounding the Ontario Airport], a critical component in a household’s traveling propensity, are much lower in ONT’s service area compared to those of Burbank or John Wayne.” (LAWA Response, Attach. C at p. 1.)

LAWA’s conclusion is not based on any supportable analysis. Dr. John Husing, a leading economist, concluded that the steep decline in passenger traffic “. . . cannot be explained by its economy given that the [ONT] airport is headed back to its 1986 level. Since that time, the inland population has increased 120% or 2.3 million people, and its employment base has increased by 102% or 585,017 local jobs, despite the recession.” (See Exh. “1” attached hereto, “LA-Ontario International Airport’s Passenger Diversion & The Inland Empire Market Area, July 2012 at p. 12.)

Moreover, the future continues to look bleak as the decrease in passengers remains ongoing. Between June 2009 and June 2010, passenger traffic at ONT decreased by 8.8 percent, with passenger traffic from June 2010 to June 2011 further decreasing by 11 percent. Inversely correlated, the passenger levels at LAX have continued to increase with a 6.47 percent jump in domestic traffic and 4.48 percent increase in international traffic from 2010 to 2011. (See Exh. “2” attached hereto, “ONT Decline San Bernardino County Board of Supervisors Workshop”, Aug. 23, 2013 at Slides 15 – 17, “ONT Versus Competing Airports in the Region” and “Southern California Airport Regionalization”).

¹ This 40 percent decline is unprecedented considering that ONT’s annual number of passengers increased from 2 million in 1980 to 7.2 million in 2007. During the latter part of this period, the City of Los Angeles was committed to securing additional regular schedule airline service for ONT, which attributed to this sizeable increase in ONT over a 17 year period.

C. LAWA's Oppressive Airports Fees and Charges Render Regionalization of ONT Economically Infeasible

The reason behind this decline is not hard to discern. The reality is that ONT has the highest costs among airports in Southern California, as well as nationwide for comparable airports. Due to LAWA's imposition of such crippling fees, airlines simply cannot afford to maintain and expand its services at ONT. This economic disincentive fundamentally limits ONT's growth potential and its ability to establish and sustain its market share of regional air demand. Since 2009, JetBlue and ExpressJet have ceased service at ONT, and the few remaining air carriers have substantially reduced their service.

In its defense, LAWA contends that a distinction can be drawn between "airport costs" and "airport fees" and that this categorization somehow explains the inordinate increase in airport charges related to costs on a per enplaned passengers ("CPE") basis. (LAWA Response, Attach. C at p. 1.) This is another attempt to muddy and confuse the issues at hand.

The facts irrefutably show that the CPE at ONT is higher than at LAX, has been the highest in the region, and is nearly twice as high as the national median CPE. Further, and perhaps more telling, LAWA failed to mention that it continues to burden ONT with uncompetitive costs through the imposition of a 15 percent administrative charge that other airports in the region are not subject to, including LAX. This fee increases the CPE that airlines must pay to serve ONT, which again deters airlines from servicing ONT and makes it difficult for existing airlines to bear the financial burden of carrying its proportional share.

Thus, LAWA's interest in promoting regionalization is undeniably compromised because LAWA is a direct beneficiary of the administrative charge. As a result, LAWA continues to stockpile cash from ONT operations. In the meantime, ONT's operating cost per enplaned passenger remains uncompetitive with other regional airports, driving potential ONT passengers to other regional airports, such as LAX, John Wayne Airport, and the Palm Springs Airport. It goes without saying that this places ONT at a severe economic and competitive disadvantage.

D. LAWA's Marketing Budget for ONT Has Dropped Dramatically And Continues to Decline With Each Fiscal Year

Spanning over the last decade, the general trend has been a reduction in marketing expenditures for ONT. In 2005 to 2007, LAWA spent between \$2 million to \$3 million per year for marketing costs specific to ONT. In 2010, LAWA spent about \$93,000 on marketing expenses, and only \$156,000 was earmarked for 2011. Further, LAWA only budgeted \$142,000 for advertising and public relations for ONT in 2012 and 2013.

In yet another misplaced attempt to "refute" the reduction in marketing expenditures outlined above, LAWA states that:

"There appears to be confusion in the definition of 'marketing.' Air Service 'Marketing' such as radio, billboard advertising, sponsorships, et al., formed the bulk of the budget for FY2006-2007. The unprecedented expense that occurred in FY 2006-2007 was not budgeted the following year because the LA/ONT renaming campaign had concluded and ExpressJet ceased service at ONT."

(LAWA Response, Attach. C – “Clarifying LAWA’s Commitment to Regionalization” at p.1.)

Though this may be the case, it is more of an indictment than an explanation. LAWA’s purported explanation does not address why the marketing budget continues to decline a steady rate every year. With the recent economic upturn, LAWA’s reluctance to invest money in ONT is inexplicable on any other basis than an affirmative effort to attract passengers to LAX, particularly when compared to LAWA’s expenditure of \$7 million for advertising and public relations at LAX. Moreover, in 2010, LAWA’s expenditures for advertising and public relations were 1.7 percent of its aviation revenue; whereas ONT’s percentage was only 0.2 percent.

During this same period, many national airports were increasing resources devoted to air service marketing in the face of growing competition among airports for new air service. LAWA has never attempted to explain this deliberate decision to curtail air service marketing for ONT as it runs afoul of LAWA’s purported commitment to regionalization.

III. CONCLUSION

Despite LAWA’s unfulfilled assurances that it “will continue to evaluate appropriate measures” and that “progress continues . . .,” no notable progress has been made over the last decade to effectuate increased dispersion of air demand across the South California region. For all the foregoing reasons, Cities/County respectfully requests that the ALUC grant this Impasse Appeal, on the ground that LAWA has failed to fulfill its regionalization obligations under SPAS and the 2006 Stipulated Settlement.

Very truly yours,

BUCHALTER NEMER
A Professional Corporation

By 
Kimberly Huangfu

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EXHIBIT 1

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LA-Ontario International Airport's Passenger Diversion & The Inland Empire Market Area

John Husing, Ph.D.

This memorandum examines the facts surrounding the reduction in air passenger traffic at LA-Ontario International Airport (ONT). The purposes include determining the extent to which:

- The slowing of the Inland Empire's economy has caused the drop in ONT's air traffic.
- The degree to which diversion of air traffic from ONT to Los Angeles International Airport (LAX) is imposing *ground transportation* costs on residents and businesses in the Inland Empire.
- The degree to which higher airline costs at ONT are imposing higher *airfare costs* on Inland Empire air passengers.
- The degree to which lack of direct flights from ONT to major airline hubs is imposing *time costs* on Inland Empire air passengers.

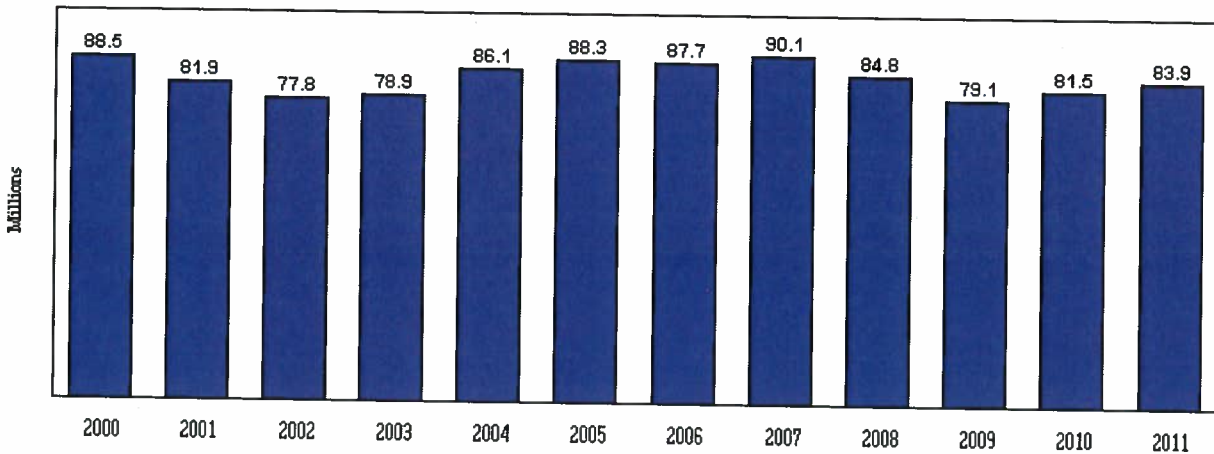
Air Passenger Decline & Market Size

If LA-Ontario Airport continues to have air passenger traffic equal to its average growth rate for January to April- 2012, it will fall to 4,242,139 for 2012. That would be down -2,971,139 air passengers from the peak of 7,213,528 in 2007, a drop of -41.2% in five years (*Exhibit 1*). Of considerable interest is the fact that ONT will essentially have the same level of passenger traffic in 2012 as it did in 1986, some 26 years ago.



A relevant question is what has happened to air passenger traffic in Southern California during this period. Here, data on volumes in the Southern California Association of Government's (SCAG) region (*Imperial, Los Angeles, Orange, Riverside, San Bernardino, Ventura counties*) is informative. Regional air passenger traffic peaked at 90.0 million in 2007 when the current recession began.

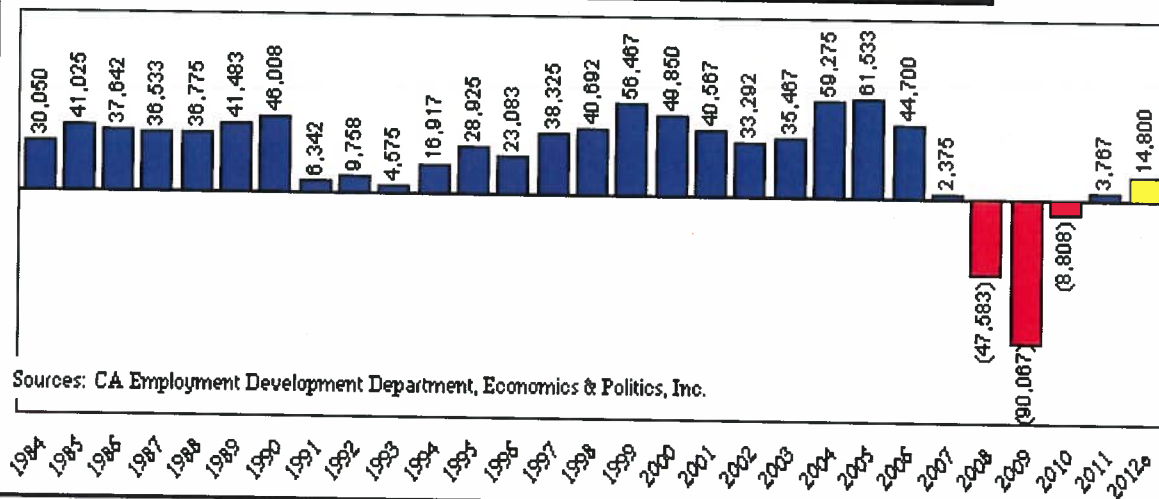
**Exhibit 2.-Air Passenger Volume
Southern California Association of Governments Region, 2000-2011**



Source: Los Angeles World Airports, John Wayne Airport, Bob Hope Airport, Long Beach Airport, Palm Springs Airport

At the trough of the downturn, the region's air passenger traffic hit a recent low of 79.1 million, down 11.0 million or 12.9%. By 2011, however, it had regained 5.1 million of this volume, rising 6.4% to 83.9 million air passengers (*Exhibit 2*). From 2007-2011, the market was down **-6.8%**. In this four year period, ONT was down from 7.2 million passengers in 2007 to 4.5 million in 2011, off **-36.8%**. Its market share fell from the 8.0% it had held from 2001-2007 to just 5.4% in 2011.

**Exhibit 3.-Wage & Salary Job Change
Inland Empire, Annual Average, 1984-2012e**

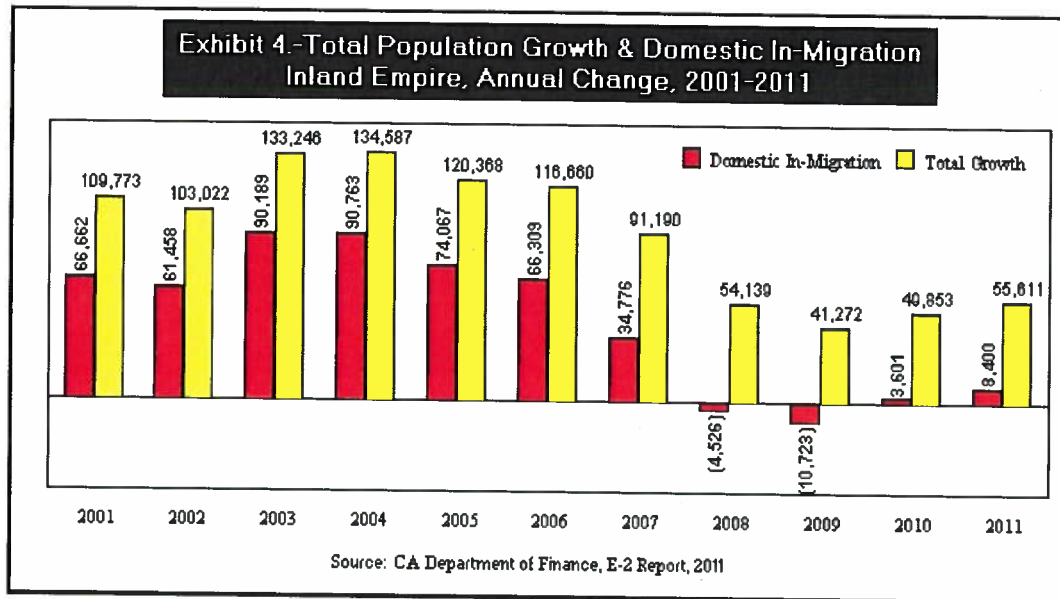


Sources: CA Employment Development Department, Economics & Politics, Inc.

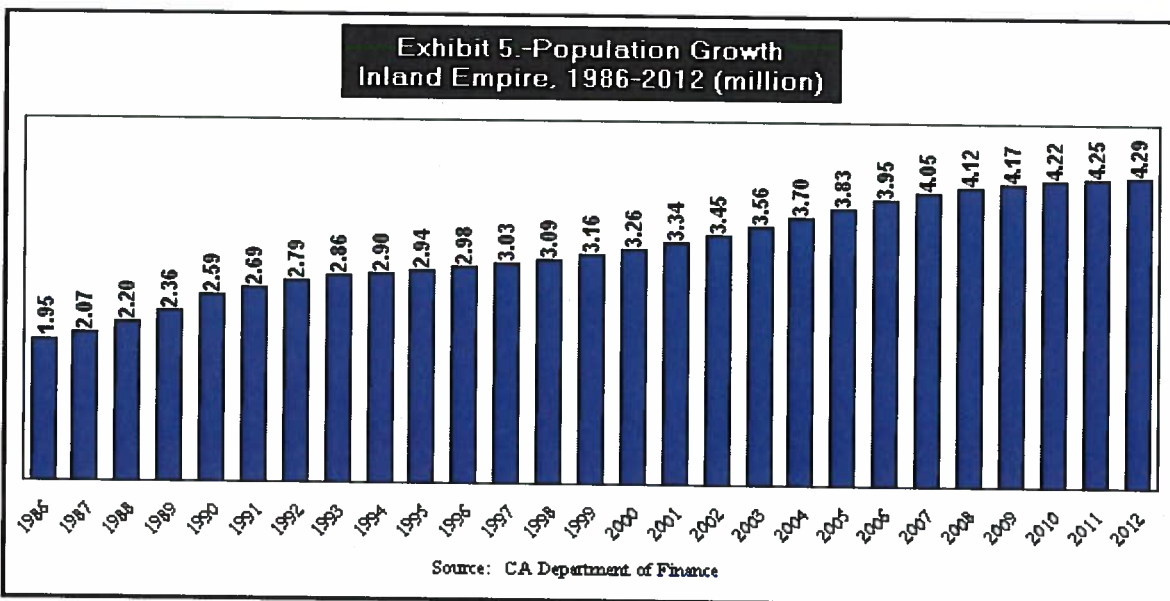
In an attempt to explain this huge discrepancy, Los Angeles World Airports (*LAWA*), owner of ONT, has contended that it is a reflection of the Inland Empire's economy difficulties. Certainly, the job base has fallen, going from a peak at 1,287,300 in 2007 to an anticipated 1,159,400 in

2012 (based on 5 months data). However, a drop of -127,900 jobs or -9.9% in the job base in no way explains a -41.2% drop in airport volume in the same period (*Exhibit 3*).

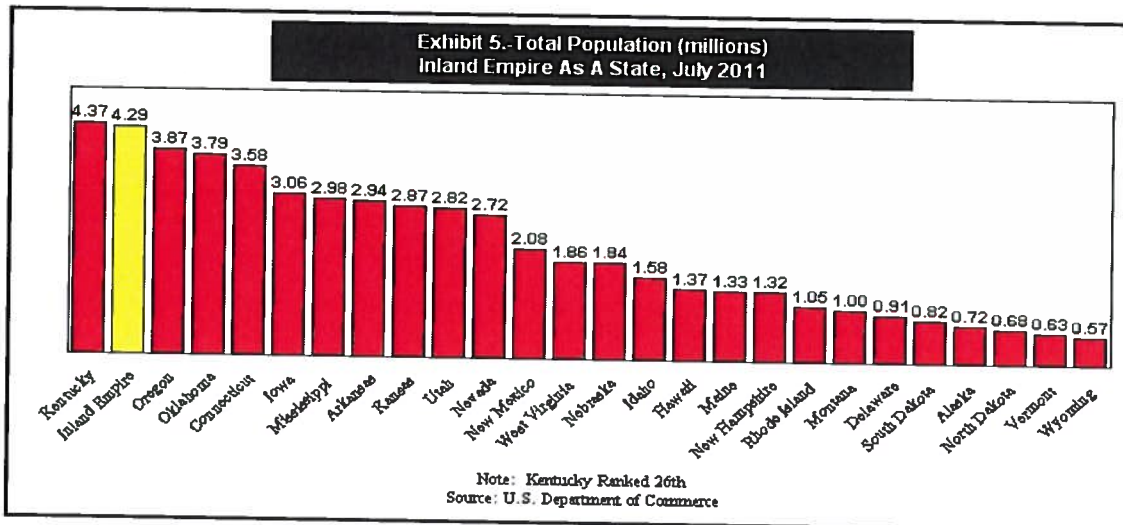
Meanwhile, the Inland Empire's population has continued to grow with California Department of Finance estimating that the region added 200,875 people from 2007-2011. This was 19.6% of California's growth (*Exhibit 4, light bars*) and it took place at the same time ONT's volume fell -41.2%. The population estimate included the 2010 Census adjustment.



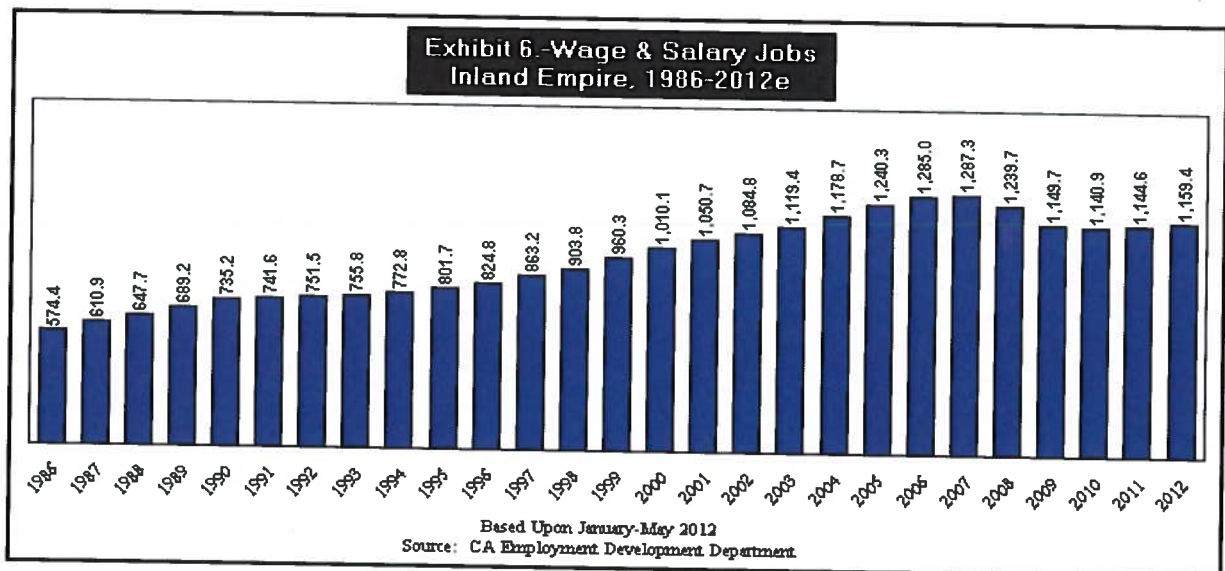
LAWA's inappropriate explanation can be seen in looking at the long term trends about the Inland Empire's population and economy. Thus, in the Inland Empire's portion of ONT's market area, there were 1.95 million people in 1986. That year, ONT's volume was 4.20 million passengers, barely different from the 4.23 million it is on track to handle in 2012.



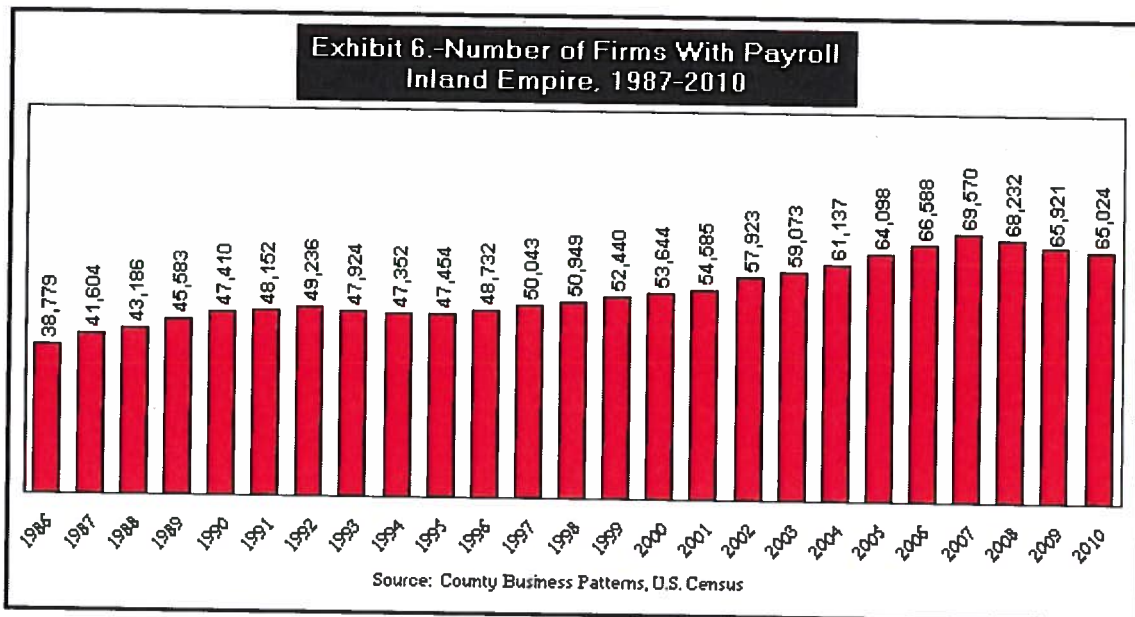
On January 1, 2012, the California Finance Department, again including the 2010 Census adjustment, shows the Inland Empire's population at 4,291,496 people. That is 2,340,603 more people than in 1986. Population has far more than doubled, up **120%**. Yet, air passenger service at ONT is headed for being the same level as in 1986.



Further underscoring the potential of Ontario's marketplace is the fact that, alone, the Inland Empire's 4.29 million people is more than Oregon and a total of 24 U.S. states. The area has to add just 77,861 people more than Kentucky to exceed half the U.S. states (*Exhibit 5*). Yet somehow, LAWA can no longer figure out how to have ONT hold its this market share.

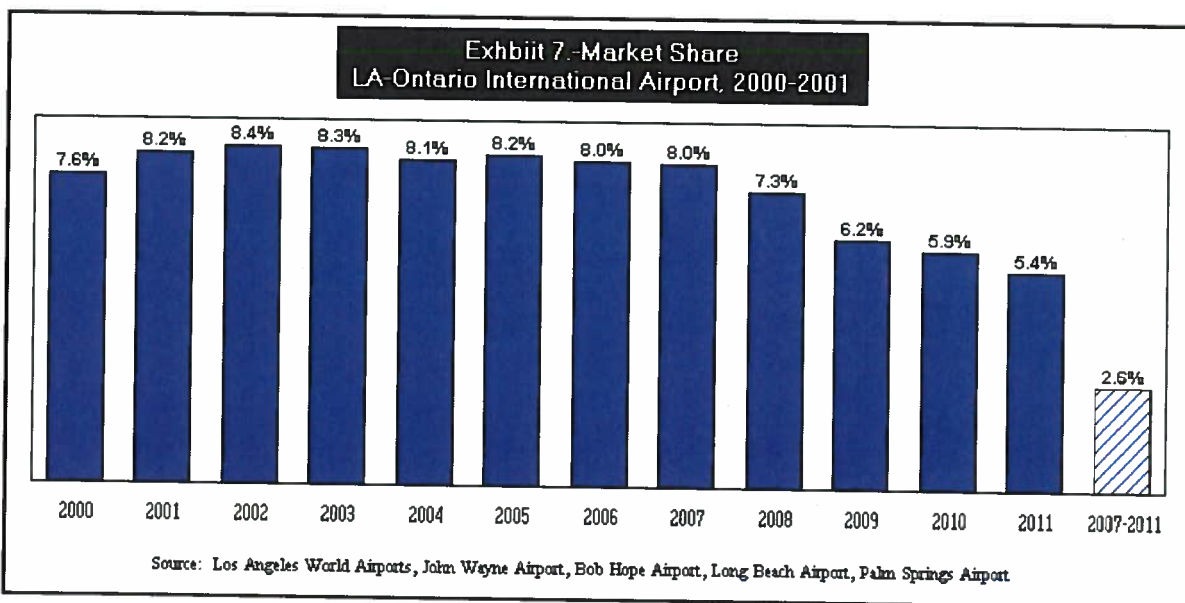


Looking at employment, even with the recession the number of wage and salary jobs in the Inland Empire is headed for 1,159,400 in 2012. That is 585,017 above 1986. The number of jobs has thus also more than doubled, up 101.8%. Again, while the local job base was down -127,900 or -9.9% from 2007-2012, it is hard to justify the number of air passengers dropping -41.2% to the 1986 level when there were 585,017 less workers in the inland economy.



These trends can also be seen in the local number of firms with payroll in the Inland Empire. In 1986, there were 38,779. In 2010, it was 65,024. There are thus 26,245 more firms with payroll, a 67.7% increase despite the recession (*Exhibit 6*). These are the operations that need to have the capacity to move their executives or entrepreneurs across the country by air, who get their national customers to their Inland Empire sites. Again, it is impossible to justify having ONT as the same volume with 26,245 more local companies with employees to serve.

Note: ONT's market area is generally within a 25 mile radius of the facility. The growth data cited here did not include the absolute increases in population, jobs and firms in the San Gabriel Valley from the I-605 east that would also use the airport. With that area included, the situation would be even more extreme.



Air Passenger Diversion & Land Cost to Inland Residents & Firms

ONT Diverted Passengers. ONT's share of regional air passengers has dropped from its 8.0% level in 2001-2007 to 5.4% in 2011, down -2.6% (*Exhibit 7*). In a study by The Planning Center, a well respected Southern California regional planning organization, they conservatively assumed that half that difference or 1.3% was due to passengers diverted to LAX. Of the 83,941,699 air passengers in the market during 2010, that would represent **1,091,242** being diverted from ONT to LAX.

Inland Empire Diverted Passengers. To estimate the impact on the Inland Empire's economy, the share of this diversion due to Los Angeles and Orange county air passengers changing airports must be deducted. Here, geo-coded data from SCAG shows the 2008 average weekday flow of light and medium vehicles from San Bernardino County to ONT (3,457), Riverside County to ONT (1,228) and trips within 20 miles of Ontario to ONT (4,773) (*Exhibit 8*.) It is necessary to estimate the people in the last category coming from Los Angeles and Orange counties to find the impact of the estimate diversion of on the Inland Empire.

| Exhibit 8.-Light & Medium Vehicle Trips To ONT & LAX, Workdays, 2008 | | | | | | | |
|---|-------------------------|------------|----------------------------------|------------|---------------------------|------------|-----------------------|
| Market | LM Vehicle Trips | | LM Vehicle Miles Traveled | | Average Trip Miles | | Diverted Miles |
| | ONT | LAX | ONT | LAX | ONT | LAX | |
| San Bernardino County | 3,457 | 2,995 | 27,306 | 238,688 | 8 | 80 | 72 |
| Riverside County | 1,228 | 1,372 | 30,157 | 120,459 | 25 | 88 | 63 |
| 20-mi buffer from ONT | 4,773 | 2,819 | 47,217 | 173,214 | 10 | 61 | 52 |

Source: Southern California Association of Governments

Within the 20 mile buffer, Los Angeles County cities included were Claremont, Diamond Bar, La Verne, Pomona San Dimas, Walnut and part of Glendora. The full population of these cities was 383,207 in 2010 using California Department of Finance data adjusted for the Census. Also included was Yorba Linda and a portion of Brea. The full population of these cities was 103,516. The total was therefore 486,723. In San Bernardino County, the 20 mile buffer only extended as far east as the city of San Bernardino and as far north as the San Bernardino Forest. That area contained 1,184,900 people. In Riverside, only the cities of Corona, Eastvale, Jurupa Valley, Norco and Riverside were included. Their population was 579,764. The total population in the 20 mile ONT zone of the four county areas was 2,252,477, distributed as follows:

- San Bernardino County 52.6%
- Riverside County 25.8%
- L.A. & Orange Counties 21.6%

Assuming that the trips to ONT within its zone where proportional to these population figures within it, **21.6%** of the trips were from non-Inland Empire locations.

Note: This is a conservative approach as the 20 mile zone leaves out significant numbers of Inland Empire residents in cities with access to no other nearby airport but ONT. This includes Moreno Valley (193,395) as well as the over 170,000 people living in the urban

areas east of San Bernardino, the over 275,00 people living along the I-215 east of Riverside and the 400,000 people living in the Victor Valley area.

Diverted Vehicle Trips. Of the 1,091,242 passengers estimated to be diverted from ONT to LAX, those from the Inland Empire would therefore be estimated at 78.4% or 855,338 per year. Since most people fly round trip, that would be 427,669 round trip passengers. Again, to be conservative, The Planning Center assumed that **1.5** passengers would travel to the airport together. That would represent **285,113 annual vehicle round trips** from the Inland Empire.

VMT Driven By Diverted IE Passengers. According to SCAG's GIS data, diverted San Bernardino County air passengers would have to drive an average of 80 miles to LAX instead of 8 miles to ONT, a 72 mile difference. Riverside County air passengers would have to drive an average of 88 miles to LAX instead of 25 miles to ONT, a difference of 63 miles. Weighting these data by the 3,457 San Bernardino County passengers daily using ONT in 2008 and the 1,228 Riverside County passengers daily using ONT, the average one way extra distance traveled to use LAX would be 69.6 miles or **139.1 miles round trip**. For the estimated 285,113 annual vehicle trips diverted to LAX from ONT, the extra annual vehicle miles traveled would be **39,661,441**.

Vehicle Fuel, Maintenance, Tire, Depreciation Cost. In 2009, the U.S. Department of Transportation estimated the fuel efficiency of the U.S. light duty vehicle fleet at 23.75 miles per gallon. The rate had been going up since 2002 as the Corporate Average Fuel Economy (CAFE) standard had remained unchanged. Using the 23.75 figure, inland drivers would have had to purchase **1,669,955 extra gallons** of fuel to go to LAX. At an average price of **\$3.90** for gasoline in 2011 according to the U.S. Energy Information Agency, the annual extra cost to inland drivers diverted from ONT to LAX was **\$6,512,826 (\$0.1642 per mile)**. In addition, the AAA estimates that on average, vehicle maintenance costs \$0.0454 per mile driven or **\$1,800,629**, tires cost \$0.0083 per mile or **\$329,190** and depreciation of the vehicle costs \$0.2369 per mile or **\$9,397,117**. The total extra cost of driving the extra 39,661,441 miles to LAX for Inland Empire vehicle owners would thus be **\$17,710,573**, an average of \$0.4631 per mile.

Note: This estimate is conservative as it is less than the Federal Income Tax allowance of \$0.555 per mile as of July 2011.

Parking Cost. Most vehicles traveling to LAX are left in an airport parking garage while travelers are gone. If 95% of the 285,113 vehicles making this round trip do so for an average of two days and park overnight in economy Lot C at a cost of \$12.00 per day, the annual total parking cost to Inland Empire residents would be **\$6,500,569**. Added to the driving cost of \$17,710,573, the diversion of flights from ONT to LAX would cost Inland Empire residents an extra **\$24,211,142** per year in ground transportation costs.

Cost of Travel Time. Depending on the time of day, the speed on the I-10, SR-60, I-605 and I-105 freeways for travelers from the Inland Empire to LAX can average from as low as 20 miles per hour to as high as 60 per hour. Assuming travelers leave randomly throughout the day to

reach LAX for their flights, the extra 69.6 mile drive from the Inland Empire to LAX would average two hours each way or four hours round trip. With 427,669 air passengers making this extra round trip journey per year, that represents 1,710,676 hours of time spent in their vehicles. Caltrans uses \$12.07 per hour as their standard rate in cost:benefit analysis to estimate the opportunity cost of time spent commuting by automobile. Using that figure, the time cost to Inland Empire air travelers of having to use LAX instead of ONT would be **\$20,647,859**.

Once a vehicle reaches Lot C near LAX, there is at least another 20 minutes in time moving from the vehicle to the terminal for their flight. Once an air passenger returns, it is a minimum of another 20 minutes to get back to their vehicle. The 40 minutes of time lags do not exist at ONT. For the 427,669, this represents 285,113 lost hours moving between the terminals and Lot C. At \$12.07 per hour, that represents another **\$3,441,310** in extra lost time. The total extra cost of lost time would thus be \$24,089,169.

Adding to the cost of using their vehicles to make the journey to the extra cost in time lost to Inland Empire residents, the full land cost of the diversion from LAX to ONT would be **\$48,300,311**.

Impact of High Cost of ONT Flights on Inland Empire Air Passengers

To estimate the impact of ONT's relatively high ticket prices on the Inland Empire, the starting place is the Airline Origin and Destination Survey compiled by Office of Airline Information of the U.S. Bureau of Transportation Statistics. These data are based upon a 10% sample of airline tickets from reporting carriers that includes the origin, destination and other itinerary details of passengers transported. This database is used to determine U.S. air traffic patterns, air carrier market shares and passenger flows. The latest available data was for first quarter 2011. It showed the passengers using ONT ultimately bought tickets to reach 289 airports in 283 U.S. cities. The percentages headed for each could therefore be calculated (*Exhibit 9, column 2*). Thus, the major destination was Seattle at a 5.9% market share.

In 2011, a total of 4,542,488 passengers used ONT according to LAWA. Assuming that each was a round trip passenger, there were 2,271,244 round trips. It was earlier estimated that 78.4% of ONT's passengers came from within the Inland Empire. Using that share, they are estimated to have taken **1,780,655** round trips. The market shares for 2011 are assumed to resembled those for the year's first quarter since the steep declines in service at ONT require using the most available information (*Exhibit 9, column 3*).

Prices from ONT and LAX to each city were developed in two ways. For the 38 destinations that constituted 75.7% of the ONT market (*1,347,861 round trips*), 2012 prices for one adult, flying coach, round trip, on an any time ticket were determined. This was done in two ways. For destinations involving non-stop service from ONT, the websites of the various airlines were used. For destinations where non-stop service from ONT was not available, www.priceline.com was used for a one-stop trip. Where several options existed from ONT or LAX, the lowest price available was used, provided the travel time was not unusually long (*Exhibit 9, columns 4-5*).

Exhibit 9.-ONT Premium Ticket Cost vs. LAX, 2012 Prices

| Airport | Round Trip Passengers | | Price Round Trip | | ONT Extra Cost | |
|---|-----------------------|------------------|------------------|-----------------|--------------------|----------------------|
| | Market Share | 1,780,655 | ONT | LAX | ONT Premium to LAX | Passengers x Premium |
| Seattle, WA: Seattle/Tacoma International | 5.9% | 104,963 | \$379 | \$333 | \$46 | \$4,828,304 |
| Portland, OR: Portland International | 4.8% | 85,944 | \$260 | \$240 | \$20 | \$1,718,879 |
| Denver, CO: Denver International | 4.0% | 71,358 | \$320 | \$307 | \$13 | \$927,651 |
| Chicago, IL (<i>O'Hare & Midway</i>) | 3.7% | 66,639 | \$520 | \$486 | \$34 | \$2,265,717 |
| Dallas/Fort Worth, TX (<i>Dallas Fort Worth, Love</i>) | 3.6% | 64,351 | \$700 | \$530 | \$170 | \$10,939,619 |
| Sacramento, CA: Sacramento International | 2.7% | 48,549 | \$204 | \$195 | \$9 | \$436,941 |
| Oakland, CA: Metropolitan Oakland International | 2.5% | 43,901 | \$190 | \$190 | \$0 | \$0 |
| Houston, TX (<i>Hobby & George Bush</i>) | 2.3% | 40,898 | \$632 | \$650 | (\$18) | (\$736,172) |
| New York/New Jersey (<i>La Guardia, JFK, Newark</i>) | 2.2% | 38,968 | \$429 | \$464 | (\$35) | (\$1,363,877) |
| Washington, DC (<i>Dulles, Reagan</i>) | 2.2% | 38,324 | \$417 | \$490 | (\$73) | (\$2,797,682) |
| Orlando, FL: Orlando International | 2.1% | 37,037 | \$418 | \$551 | (\$133) | (\$4,925,974) |
| Salt Lake City, UT: Salt Lake City International | 2.0% | 36,179 | \$475 | \$276 | \$199 | \$7,199,699 |
| Minneapolis, MN: Minneapolis-St Paul International | 2.0% | 35,822 | \$651 | \$589 | \$62 | \$2,220,957 |
| Reno, NV: Reno/Tahoe International | 2.0% | 35,750 | \$429 | \$281 | \$148 | \$5,291,057 |
| San Jose, CA: Norman Y. Mineta San Jose International | 1.9% | 34,034 | \$190 | \$188 | \$2 | \$68,069 |
| Phoenix, AZ: Phoenix Sky Harbor International | 1.8% | 32,533 | \$188 | \$194 | (\$6) | (\$195,197) |
| Kansas City, MO: Kansas City International | 1.8% | 32,318 | \$440 | \$437 | \$3 | \$96,955 |
| Detroit, MI: Detroit Metro Wayne County | 1.8% | 32,175 | \$922 | \$673 | \$249 | \$8,011,662 |
| St. Louis, MO: Lambert-St. Louis International | 1.7% | 30,960 | \$691 | \$538 | \$153 | \$4,736,855 |
| Las Vegas, NV: McCarran International | 1.7% | 30,173 | \$200 | \$195 | \$5 | \$150,867 |
| Baltimore, MD: Baltimore/Washington Internl Thurgood Marshall | 1.7% | 29,887 | \$399 | \$490 | (\$91) | (\$2,719,746) |
| Atlanta, GA: Hartsfield-Jackson Atlanta International | 1.7% | 29,887 | \$471 | \$494 | (\$23) | (\$687,408) |
| Nashville, TN: Nashville International | 1.6% | 28,457 | \$996 | \$758 | \$238 | \$6,772,839 |
| San Antonio, TX: San Antonio International | 1.5% | 26,098 | \$891 | \$447 | \$444 | \$11,587,416 |
| Spokane, WA: Spokane International | 1.4% | 24,310 | \$673 | \$615 | \$58 | \$1,409,995 |
| Charlotte, NC: Charlotte Douglas International | 1.4% | 24,310 | \$763 | \$669 | \$94 | \$2,285,165 |
| Austin, TX: Austin - Bergstrom International | 1.3% | 24,024 | \$599 | \$525 | \$74 | \$1,777,795 |
| New Orleans, LA: Louis Armstrong New Orleans International | 1.3% | 23,023 | \$894 | \$785 | \$109 | \$2,509,534 |
| Boise, ID: Boise Air Terminal | 1.3% | 22,523 | \$597 | \$446 | \$151 | \$3,400,934 |
| Albuquerque, NM: Albuquerque International Sunport | 1.3% | 22,308 | \$553 | \$473 | \$80 | \$1,784,659 |
| Indianapolis, IN: Indianapolis International | 1.2% | 21,450 | \$726 | \$492 | \$234 | \$5,019,354 |
| Philadelphia, PA: Philadelphia International | 1.2% | 21,307 | \$808 | \$557 | \$251 | \$5,348,115 |
| Boston, MA: Logan International | 1.2% | 21,236 | \$731 | \$568 | \$163 | \$3,461,424 |
| Tampa, FL: Tampa International | 1.1% | 20,092 | \$749 | \$652 | \$97 | \$1,948,897 |
| Omaha, NE: Eppley Airfield | 1.1% | 18,876 | \$599 | \$387 | \$212 | \$4,001,755 |
| Oklahoma City, OK: Will Rogers World | 1.0% | 16,946 | \$590 | \$477 | \$113 | \$1,914,862 |
| Cleveland, OH: Cleveland-Hopkins International | 0.9% | 16,660 | \$793 | \$686 | \$107 | \$1,782,586 |
| Fort Lauderdale, FL: Fort Lauderdale-Hollywood International | 0.9% | 15,587 | \$479 | \$418 | \$61 | \$950,817 |
| Other | 24.3% | 432,794 | \$552 | \$467 | \$85 | \$36,673,613 |
| Grand Totals | 100.0% | 1,780,655 | \$21,518 | \$18,213 | \$3,305 | \$128,096,935 |

Source: Share of 2011 ONT Passengers Traveling to Destinations: *Research and Innovative Technology Administration (RITA)* • U.S. Department of Transportation, *1Q2011*; Total 2011 Passengers: *Los Angeles World Airports*; Ticket Prices: *Airline Websites serving ONT and/or Priceline.com for one adult passenger, any time coach ticket price, round trip*

For the 38 destinations, the 2012 ONT ticket prices totaled \$20,966 or a \$552 average; it was \$17,746 or an average of \$467 for LAX. The average difference was 18.1%. These average prices were assumed from the other 24.3% (432,794 round trips) of trips from ONT and LAX.

For each market, the degree to which ONT's 2012 prices were higher or lower than LAX was calculated (*Exhibit 9, column 6*). This was then multiplied by the estimated number of ONT passengers to determine the degree to which its higher ticket prices cost Inland Empire residents more than if prices were at the LAX level (*Exhibit 9, column 7*).

This process yields the result that Inland Empire economy sees an extra **\$128,096,935** being paid for air travel as a result of the higher prices at ONT than LAX. Given that the distances to market are nearly identical from LAX and ONT, the most likely explanation for the 18.1% average price differential is the higher costs imposed on airlines to use ONT.

Impact of Time Cost of ONT Flights on Inland Empire Air Passengers

To estimate the impact of the lack of non-stop flights at ONT on the Inland Empire, the starting place was again the Airline Origin and Destination Survey compiled by Office of Airline Information of the U.S. Bureau of Transportation Statistics. From these data, the percentages and numbers of previously calculated Inland Empire round trip passengers headed for the 38 destination responsible for 75.7% of the market is shown. The total was 1,347,861 (*Exhibit 10, columns 2-3*).

For each of these 38 destinations, the round trip time from ONT and LAX was determined for the least costly flight options used in Exhibit 9 from the same sources (*Exhibit 10, columns 4-5*). In some cases, both were non-stop trips. In cases where a non-stop was not available at ONT, the time for a non-stop from LAX was separately determined. The lowest round trip times from LAX included the non-stops that it had in common with ONT, and cases where only LAX had a non-stop (*Exhibit 10, column 6*). The amount by which the ONT trip times were more or less than the lowest LAX trip times then were calculated for each of the 38 destinations (*Exhibit 10, column 7*). However, as non-stop flights are more expensive than one-stop flights, weights were assigned to the probability passengers would use them as follows (*Exhibit 10, column 8*):

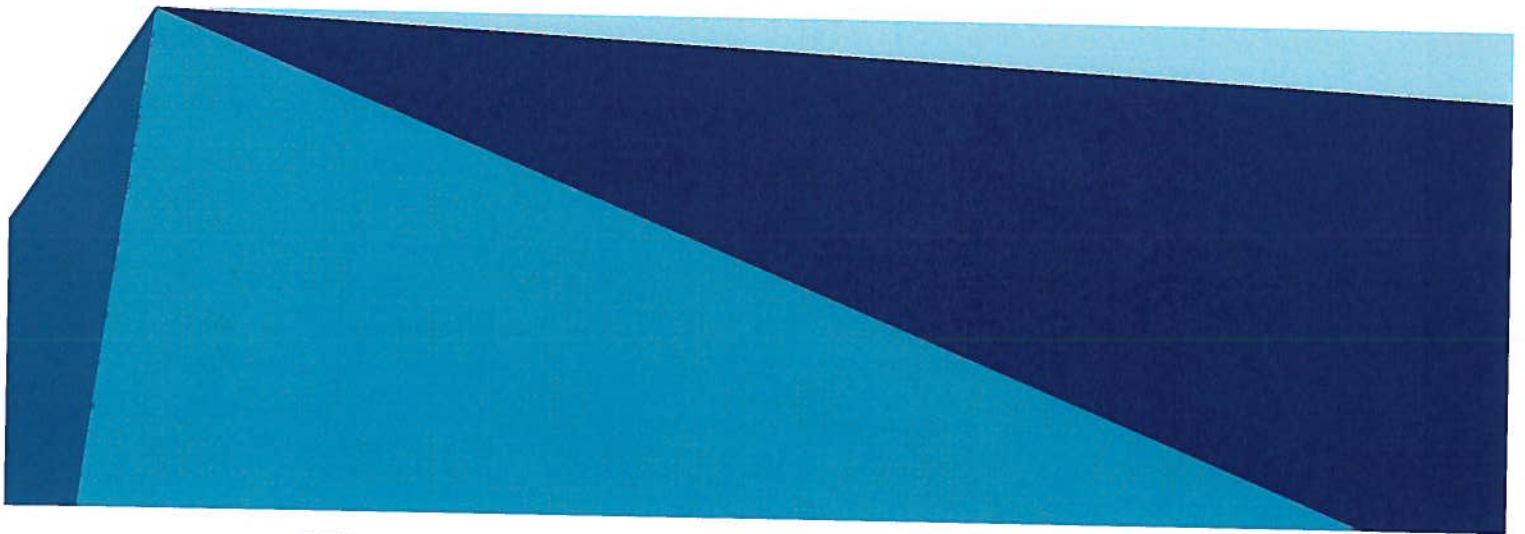
- 100% if non-stops existed for both ONT and LAX.
- 7.5% was used if the time savings from LAX was 1 to 1.49 hours
- 10% was used if the time savings from LAX was 1.5 to 1 9 hours
- 12% was used if the time savings from LAX was 2 to 2.4 hours
- 15% was used if the time savings from LAX was 2.5 to 2.9 hours
- 16% was used if the time savings from LAX was 3 hours or more

EXHIBIT 2



Ontario International Airport Decline San Bernardino County Board of Supervisors Workshop

August 27, 2013

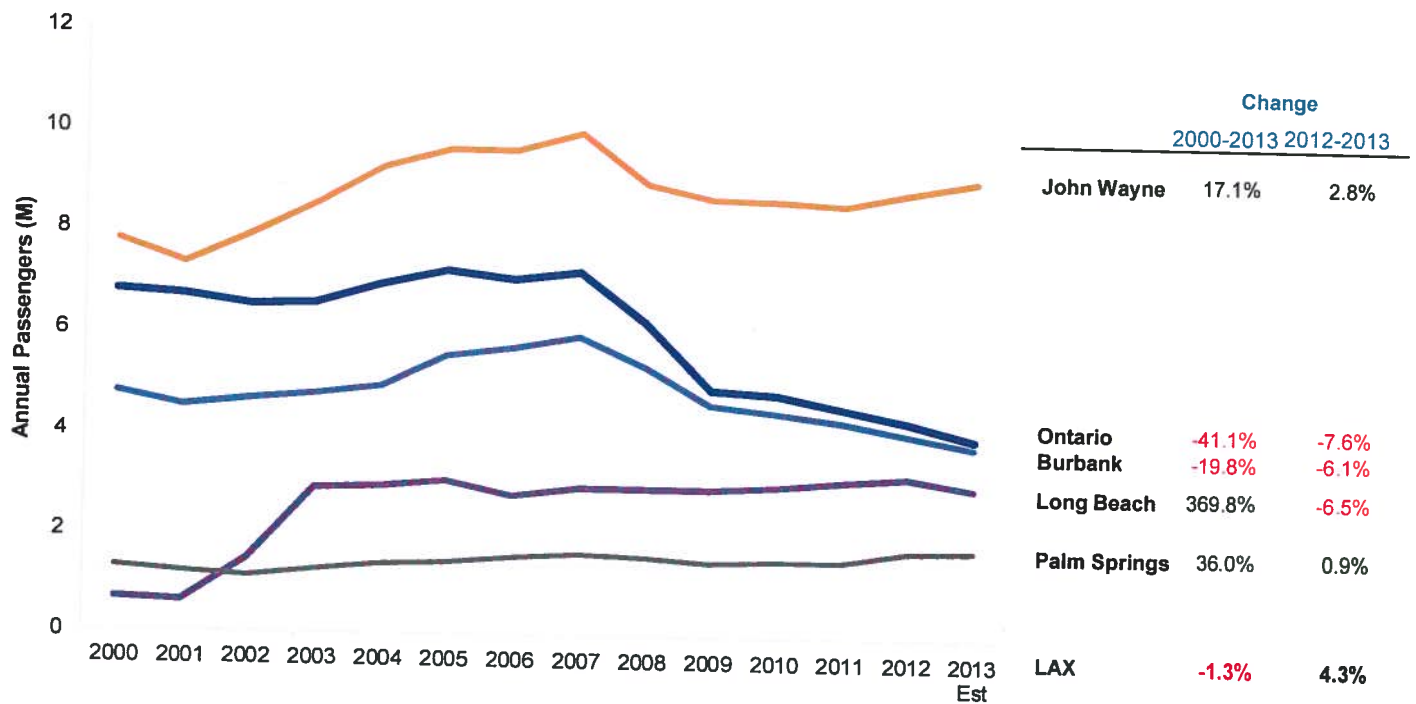


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ONT Versus Competing Airports in the Region

Passengers at Southern California Regional Airports (Millions)
2000-2013 (est)



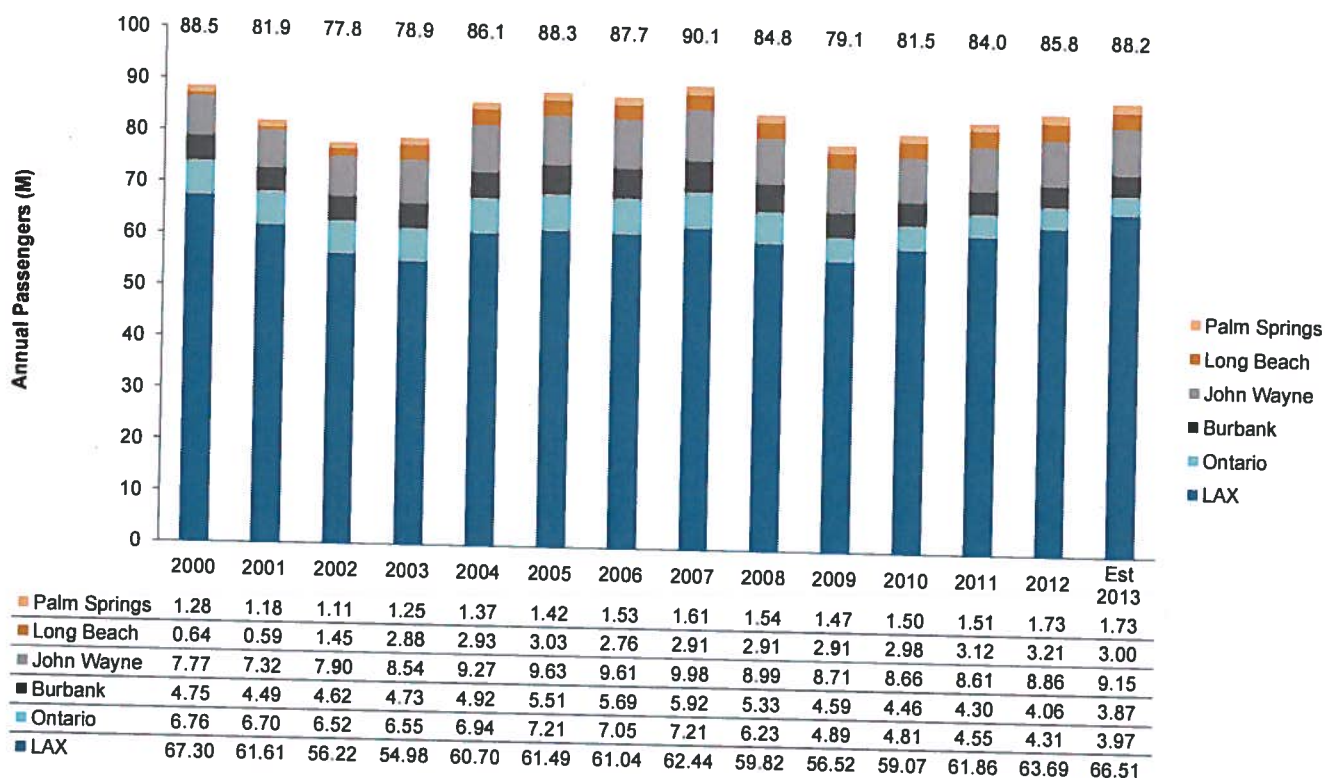
Sources: Southern California Airports

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Southern California Airport Regionalization

Regional total passengers down 2% since 2007; ONT down 45%



Southern California Airport Regionalization

LAX's Market Share Has Steadily Increased since 2007, and Is Greater than in 1990

